

The Timor-Leste budget and mid-year rectification

**Training for the
International Center for Journalists**

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14-17 October 2008



“Part of being an open and transparent Government is being accountable to public scrutiny. All debates on Government expenditure are encouraged. It is a positive sign for our young democracy.”

Minister of Finances Emilia Pires
16 June 2008

RDTL Constitution

Section 145 (State Budget)

1. The State Budget shall be prepared by the Government and approved by the National Parliament.
2. The Budget law shall provide, based on efficiency and effectiveness, a breakdown of the revenues and expenditures of the State, as well as preclude the existence of secret appropriations and funds.
3. The execution of the Budget shall be monitored by the High Administrative, Tax and Audit Court and by the National Parliament.

I. General Concepts

- **Receitas / receipts / rendimento**
- **Despesas / expenditures / gasta**
- **Deficit** (gap between expenses and revenue)
- **Carryover** (money not spent in one budget year which is available for the future)
- **Sustentaveis / sustainable / sustentavel** (able to continue for the indefinite future)

Big numbers

If we stack one quarter every second, how long will it take to collect one thousand dollars (\$1,000)? How high is the stack?

About one hour. 8 meters high (twice as tall as this building).

How about one million dollars (\$1,000,000)?

7 weeks. 8 km (from the Comoro river to Meti-Aut).

How about one billion (\$1,000,000,000)?

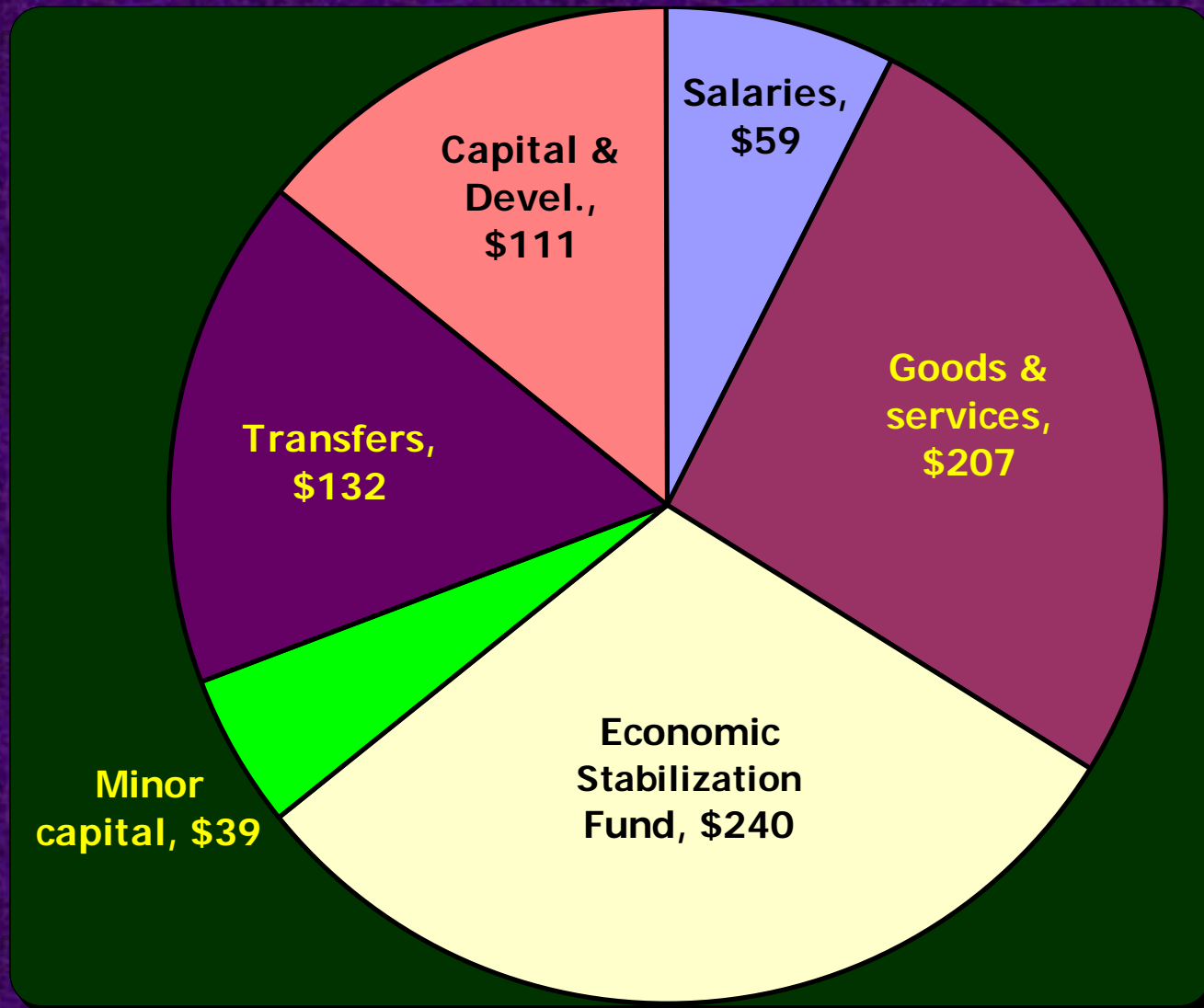
127 years. 8,000 km (from Dili to Afghanistan).

Categories of Expenditures

- Salaries (salarios e vencimentos)
- Goods and Services (bens e servicos)
- Minor Capital (capital menor)
- Capital Development (capital e desenvolvimento)
- Transfers (transferencias publicas)

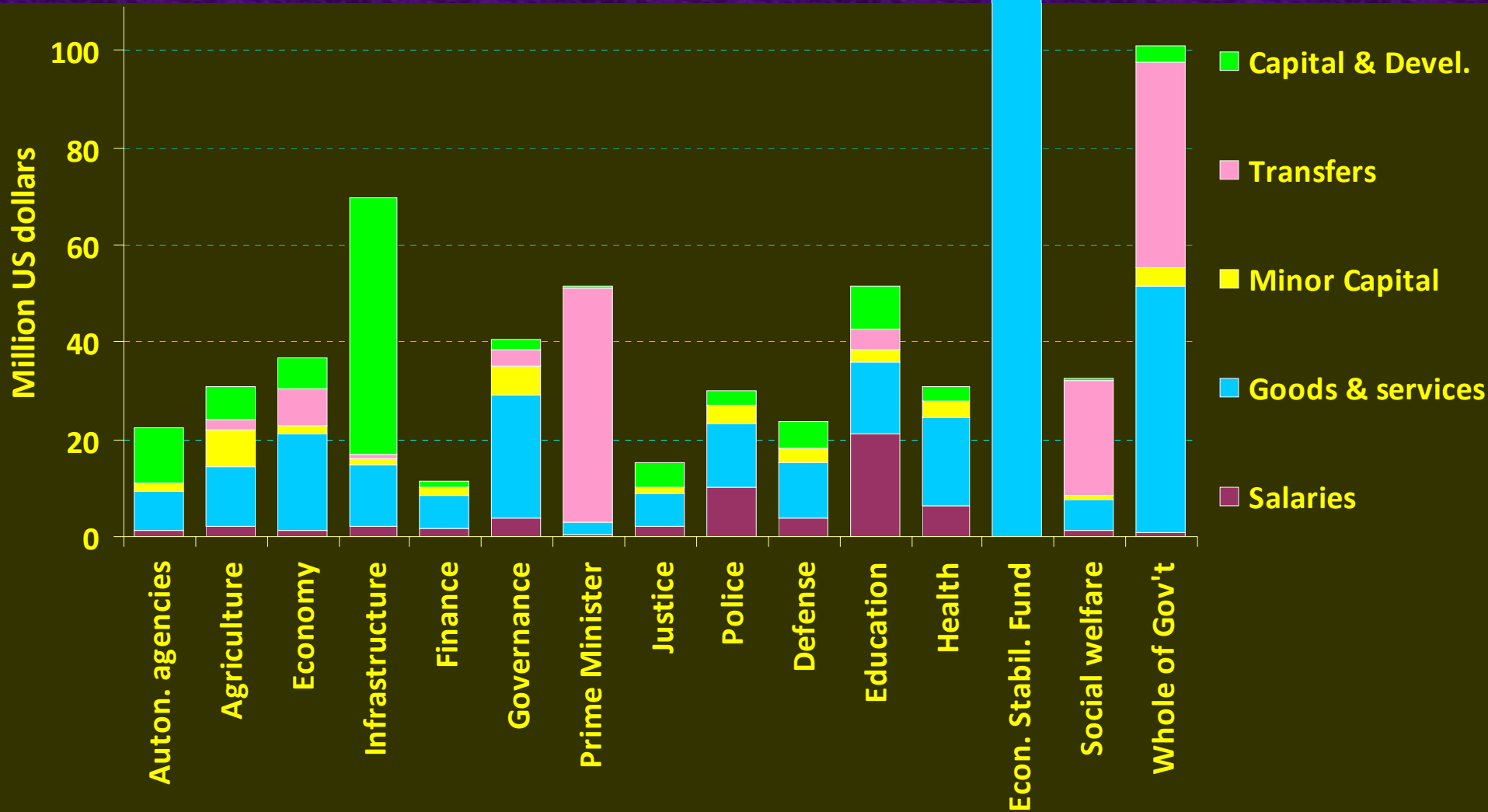
Mid-Year Adjusted Budget 2008

Total expenditure: USD \$788.3 million



Adjusted Budget 2008

(\$788m total)



Categories of Income

- **Domestic Taxes / Impostos Domesticas**
(these will drop because of tax reform law)
- **User Fees / Taxas de Utilização**
(mainly rice sales, and perhaps other sales)
- **Petroleum Fund ESI** (plus more)
- **Donor budgetary support** (ended already)
- **Donor projects**
(not included in State Budget; *Combined Sources Budget* no longer used)

From original 2008 budget

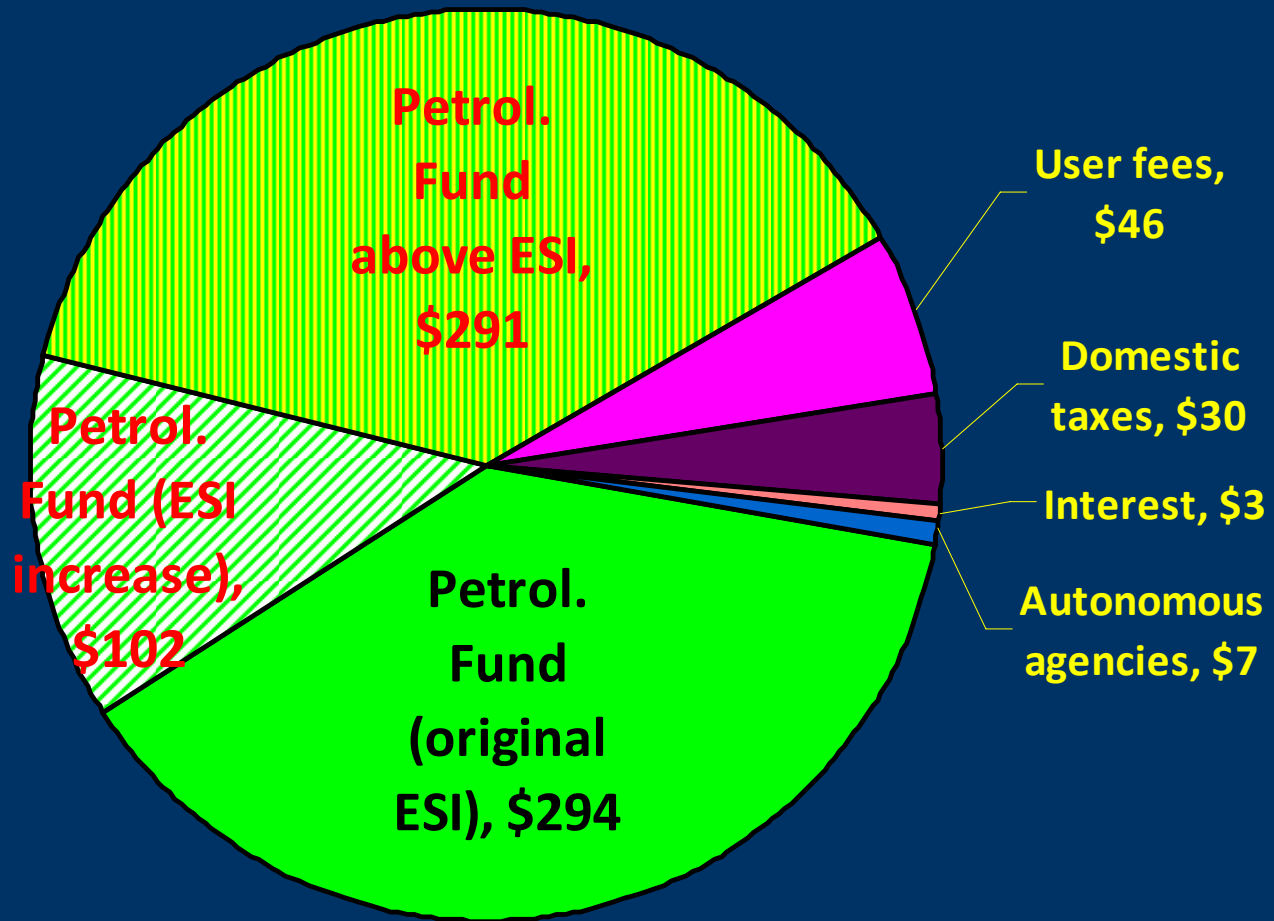
Combined Sources Financing

Table 2.2
Financing of the Combined Sources Budget 2006-07 to 2011 (\$m)

	2006-07 Actual	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	Total 4 Years
Revenue	59.3	115.5	181.7	140.8	102.0	144.3	568.8
Domestic Revenue	40.9	14.4	20.7	20.1	20.8	76.0	137.6
Direct Budget Support	11.4	-	-	-	-	-	-
Autonomous Agency Revenue	7.0	2.5	6.3	6.5	6.7	22.0	41.6
Confirmed Donor Funding		98.5	154.7	114.2	74.5	46.3	389.7
Expenses	161.9	213.4	502.5	397.2	346.8	325.1	1,571.5
Recurrent Expenditure	150.2	201.9	428.5	347.7	314.9	294.2	1,385.3
State Budget Funding	150.2	110.5	280.1	235.4	240.8	248.3	1,004.6
Confirmed Donor Funding		91.4	148.4	112.3	74.1	46.0	380.7
Capital Expenditure	11.6	11.5	73.9	49.4	32.0	30.9	186.2
State Budget Funding	11.6	4.4	67.6	47.5	31.6	30.6	177.3
Confirmed Capital Funding		7.1	6.3	1.9	0.4	0.3	9.0
Expenses							
Transfer from the Petroleum Fund	102.5	40.0	294.0	256.3	244.9	214.7	1,009.9
Existing Cash Reserves	-	(57.9)	(26.8)	-	-	-	(26.8)

Budget Adjustment 2008

Total revenues: USD \$773.3 million
(\$15 million is carryover from 2007.)



Autonomous Agencies

Agências Autônomas

These can be included, or not

- TL Electricity Department (EDTL)
- Nicolau Lobato Airport
- APORTIL (Dili port and Nakroma ferry)
- Equipment Management Institute
- National Petroleum Authority (new)

Receipts = Expenses
\$22 million in 2008

Timor-Leste changes every year

- **Population increases**
3.5% per year, will double in twenty years.
- **Inflation / prices go up**
Latest IMF projections are 4.0% in 2008,
3.4% per year after that.

Therefore, the cost of providing the same services increases 8% every year.

Recurring and one-time expenses

- **Most expenses repeat** every year, as most government services and salaries are ongoing.
- **Special one-time expenses** – IDP resettlement and money for petitioners.
- **Development capital costs** – buildings, big infrastructure, last for decades.
- **Minor capital** – cars, computers – last about 5 years.
- **Multi-Annual projects** are approved now and spent over several years. Can be any category.


Budget Execution

- Ongoing problem in Timor-Leste
- Big plans, low capacity to implement them.
- AMP is obsessed with this, hence using funds and transfers, which are easier to spend.
- Reports are misleading, as commitments and obligations are counted as executed.
- Carry-over from past years paid for nearly all gov't activities during the first half of 2008.

“Banana Show” Konseitu no
Informasaun mai hosi
Ministériu Finansas

ORSAMENTU TRANZITÓRIU 1 JULU TO'O 31 DEZEMBRU 2007

Ezekusaun Cash & Ezekusaun Total

 Presidente RDTL Jose R. Horta 0.900 89.5% 90.5%	 Presidente Parlamentu Nasionál Fernando Lasama 1.496 68.6% 86.1%	 PM & Ministru Defeza no Seguransa Kayrala X. Gusmão 3.404 62.1% 84.1%	 S.E. Konsellu Ministrus Agio Pereira 1.610 30.4% 84.3%	 S.E. Juventude no Desportu Miguel M.G. Manetelu 0.504 73.8% 85.2%	 S.E. Rekursus Naturais Alfredo Pires 0.517 64% 87.2%	 S.E. Politika Enerjética Avelino M.C. da Silva 0.156 57.5% 88.5%	 S.E. Formasaun Profisional no Empregu Benedito dos S. Freitas 1.462 79.9% 94.3%	 S.E. Promosaun Igualdade Idelta M. Rodrigues 0.084 36.8% 36.8%	 S.E. Defeza Julio Tomas Pinto 4.322 54.8% 90.5%	 S.E. Seguransa Francisco Guterres 7.215 47.8% 79.6%	 Ministru Negosius Estranjeirus Zacarias A. da Costa 2.686 83.2% 85.6%	 Ministra Finansas Emilia Pires 2.669 76.8% 93.8%	 Ministra Justisa Lucia Lobato 1.903 60.8% 89.4%	 Ministru Saúde Nelson Martins 6.939 76.1% 92.4%	 Ministru Edukasaun no Kultura Joao C. Freitas 10.928 92.3% 95.9%	 Ministru Adm. Estatal no Ord. Territoriu Territorio J.G. Leite 3.075 63.3% 77.3%	 Ministru Ekonomia no Dezenvolvimentu Joao Gonçalves 0.784 72.9% 82.6%	 Ministra Solidariedade Sosial Maria D.F. Alves 6.785 55.4% 83.8%	 Ministru Infra-estruturas Pedro Lay da Silva 18.101 22.7% 91.7%	 Ministru Turizmu Komérsiu no Indústria Gil da Costa Alves 7.587 18.6% 98.0%	 Ministru Agrikultura no Peshas Mariano A. Sabino 5.376 50.5% 86.5%	 Tribunal Rekursu Claudio Ximenes 0.645 25.3% 82.3%	 Prokuradór Geral Republika Longinhos Monteiro 0.170 78.1% 89.6%	 Provedór Direitus Humanus no Justisa Sebastiao D. Ximenes 0.180 88.6% 89.3%	 Rádiu no Televisaun Timor-Leste Joao Baptista 0.754 65.2% 92.9%
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 Komisaun Nasionál Eleisoens Faustino C. Gomes 0.087 95.0% 95.0%
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US\$: 116.409

US\$: 64.336.035

US\$: 104.871.071

Alokasaun Orsamentu: Osan ne'ebé Governu husu no hetan aprovasaun hosi Parlamentu Nasionál.

Ezekusaun Cash: Osan ne'ebé governu selu ona.

Ezekusaun Total: Osan ne'ebé governu selu ona hamutuk ho osan ne'ebé iha obri-gasaun atu selu.

SIGNIFIKA HOSI SÍMBOLU AI-FUAN

	0-25 la gasta osan ho di'ak		51-75 % gasta osan di'ak ona
	26-50% gasta osan di'ak uitoan		76-100% gasta osan di'ak tebes

Budget Execution

First six months of 2008

Budget Execution during first half of 2008, in thousands of U.S. dollars

	Current Appropriation	Actual Payments	Outstanding Commitments / Obligations	Total Expenditure	% to Current Appropriation
Salaries & Wages	46.783	21,862	-	21,862	46.7%
Goods & Services	137.614	58,583	18,731	77,314	56.2%
Minor Capital	24.228	3,406	12,903	16,309	67.2%
Capital & Development	60.866	4,233	36,895	41,128	67.6%
Transfers	63.913	19,622	20,116	39,738	62.2%
Total	333,404	107,705	88,645	196,350	58.8%

This is based on the original 2008 budget, before the rectification. Capital is almost all “obligations,” not actual payments.

Day 2. How to read the budget

- Look at each section of the documents.
- Find the information that you need.
- If it's not there, use other sources or estimate.

Parts of the budget document

1. Executive summary, p4
2. Explanation of reasons by the PM, p5
3. Fiscal and economic overview, p14
Petroleum Fund: Chart/table 3.3
4. Revenues (domestic), p31t/28e
5. Expenses, p34t/31e
Execution, revision, summary table 5.5
6. Table 5.6, p39t/36e, The cost of each new program

7. Information about each ministry. p46t/43e
8. Annex 1&2: expenditures in original and revised budgets, by category. p129t/119e
9. Annex 3: breakdown of 2008 expenditures by organ and category. p131t/121e. This table is also Annex II of the budget law.
10. Annex 4: capital plan 2008-2011. Includes original and revised budget expenditures, by year. p149t/137e
11. Annex 5: staffing profile. p171t/158e
12. Annex 6: budget law. p198t/172e*. This is the law that Parliament passed.

13. Annexes to Budget law (part of the law)

- I. Revenue estimates p201t/175e
- II. List of expenditures (same as Annex 3 of budget document, p131t/121e)
- III. Autonomous agencies p202t/176e
- IV. Multi-year capital projects p203t/177e

14. Annex 7: subsidies for autonomous agencies. p204t/178e

15. Annex 8: report from independent auditor about petroleum fund. p206t/180e

16. Annex 9: letter from Prime Minister about why the ESI must be exceeded. p211t/185e

Day 3. Important issues

- Size and implementation of Economic Stabilization Fund
- Overspending the Petroleum Fund
- Multi-year projects
- 2009-2011 budget deficits
- Public consultation and access to information
- Capacities of Government and Parliament

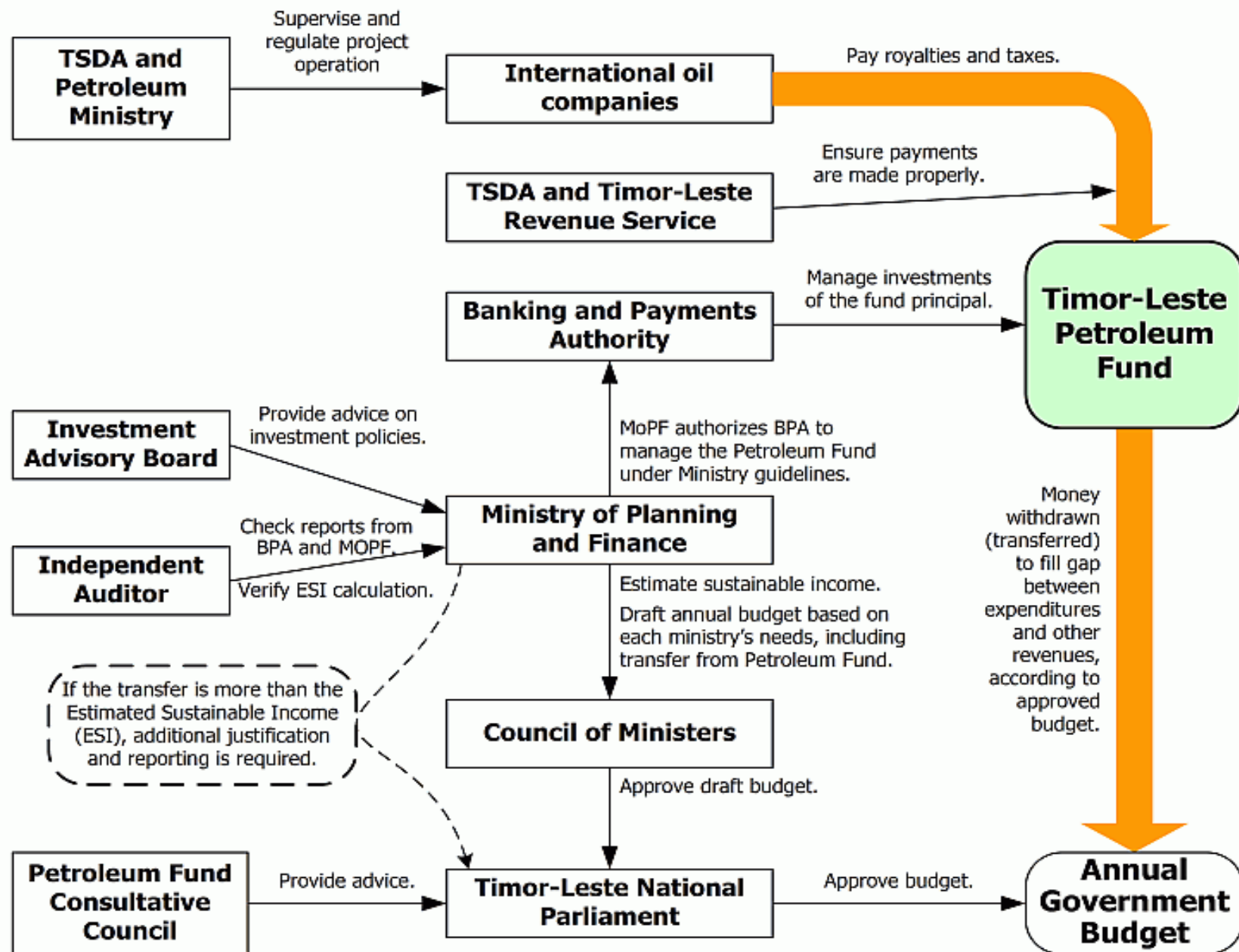
Economic Stabilization Fund

- \$240 million, new in MYBU, for six months only
- More than Timor-Leste's GDP for this period
- Very little information available, so we have to make educated guesses
- To subsidize
 - Rice – security of food supply
 - Stabilize fuel and other commodity prices
 - Construction materials – encourage development and private investment
- Impact on local farmers and producers?
- How long will the subsidies continue?

Petroleum Fund objectives

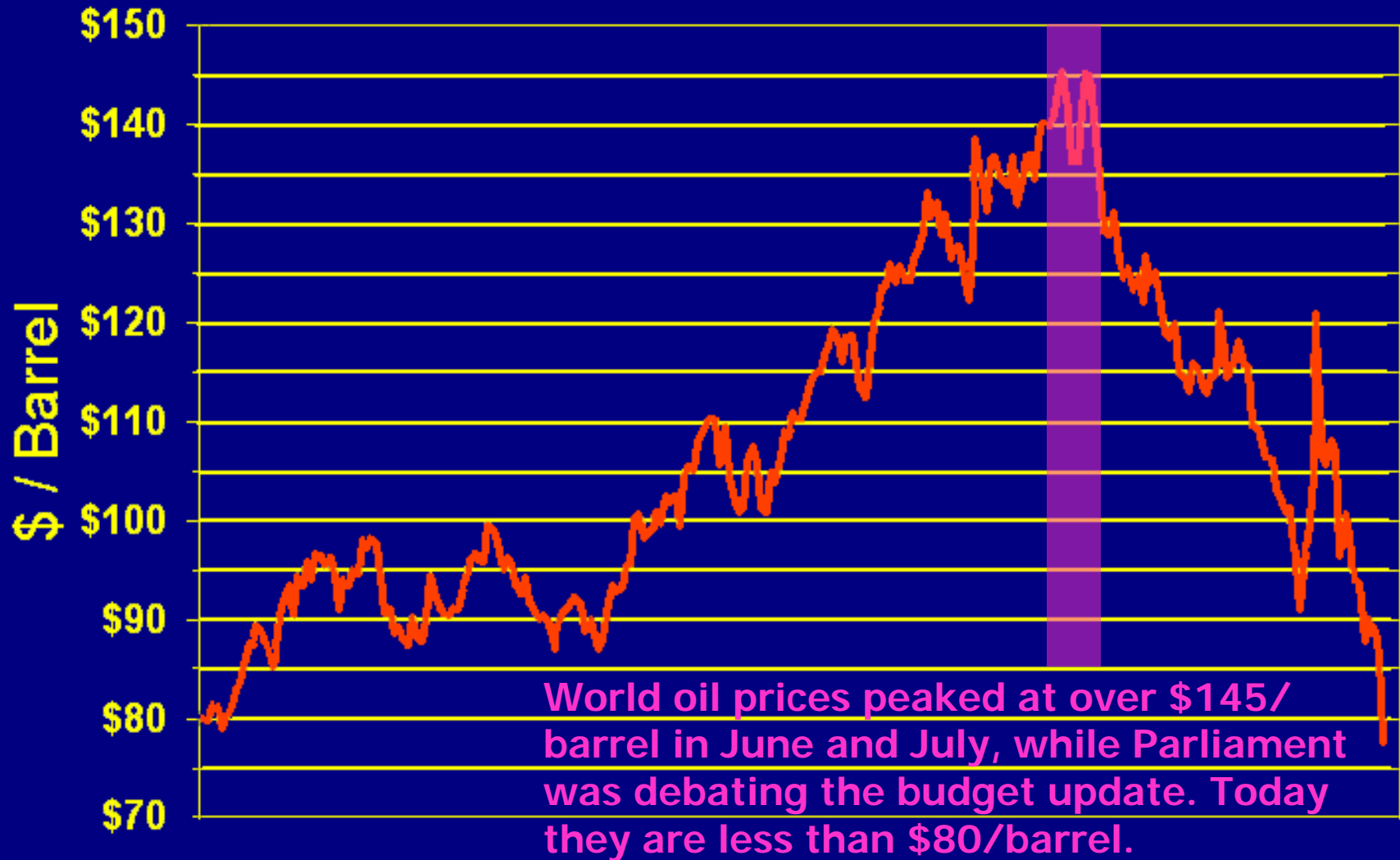
- Smooth out gov't revenues when oil prices fluctuate
- Provide sustainability after petroleum is exhausted, in about 15 years (unless Sunrise is developed)
- Reduce temptation to over-spend when oil revenues are high

Figure 4: Agencies involved with Timor-Leste's Petroleum Fund



Oil prices: unpredictable

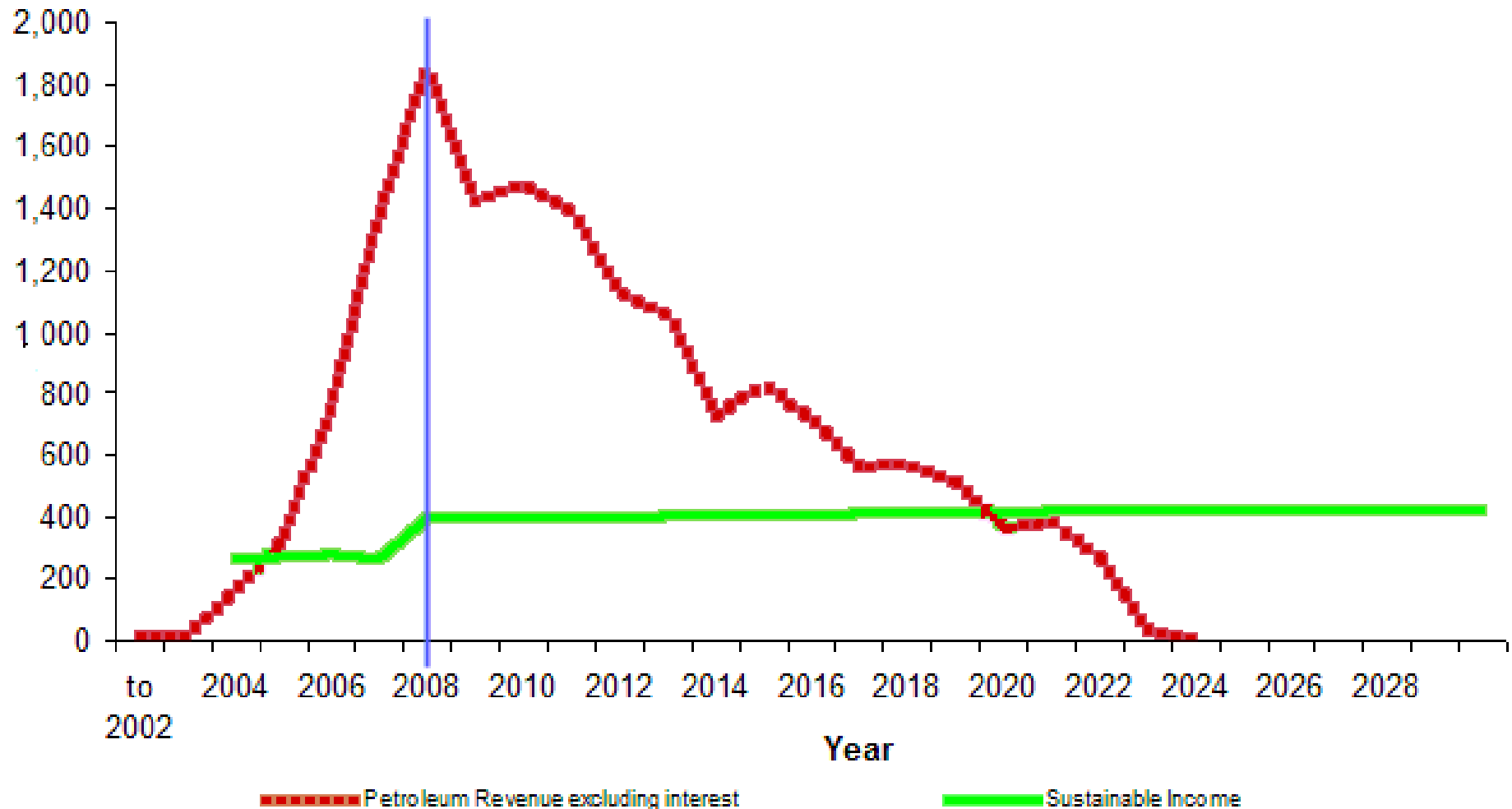
Daily world market price over the last 12 months



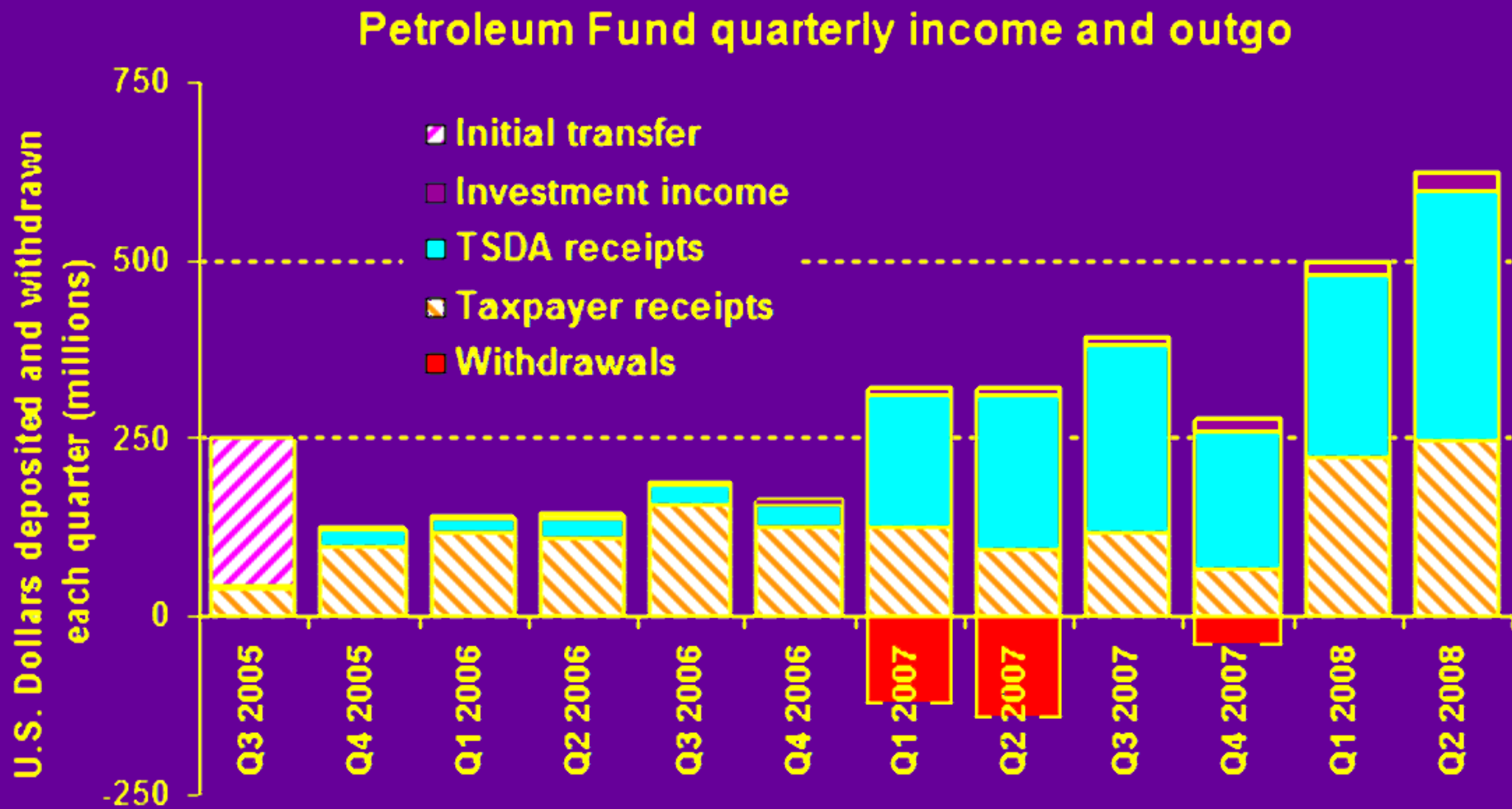
1 Oct. 2007

10 Oct. 2008

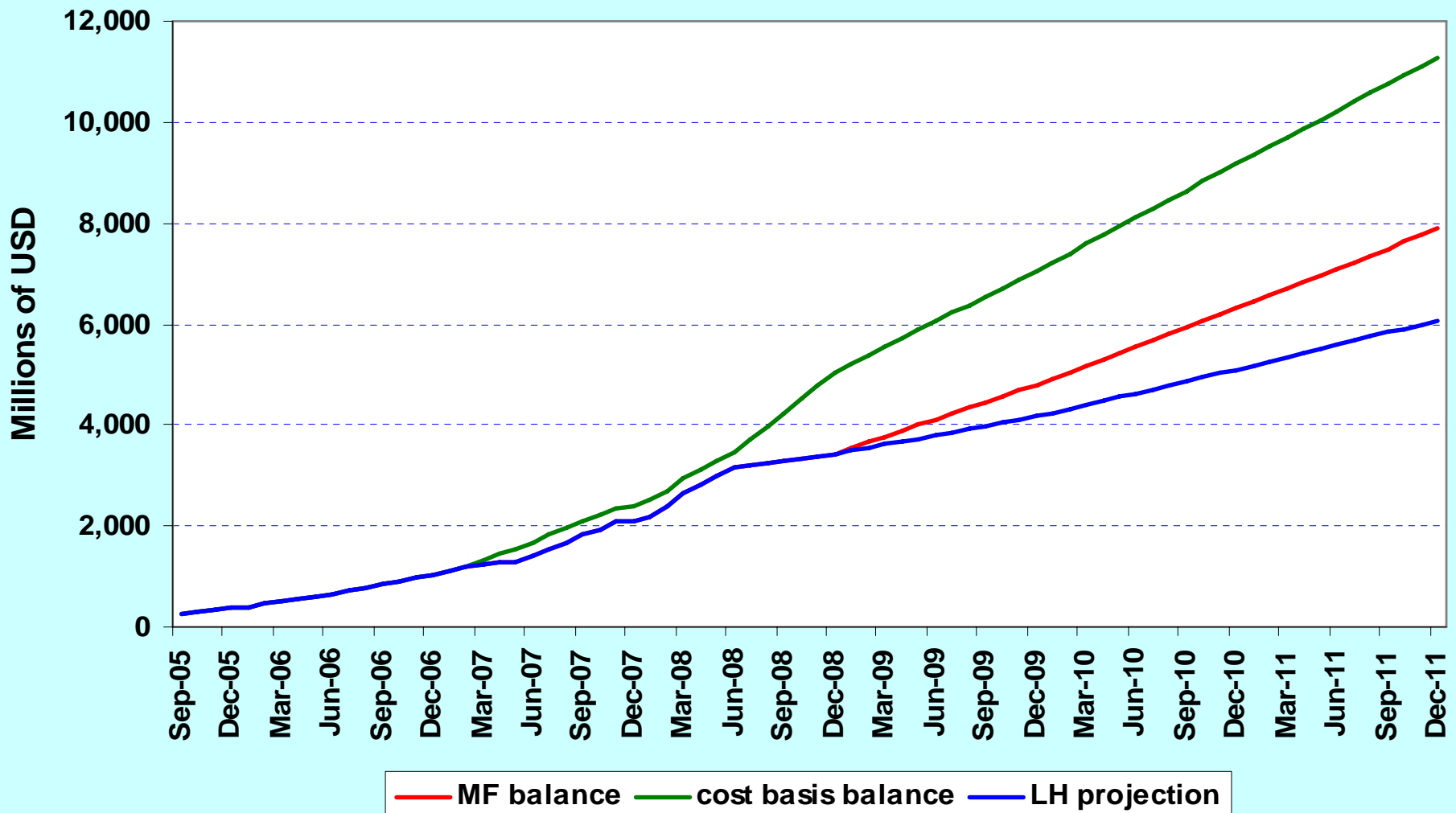
Petroleum Revenue and ESI



Petroleum Fund

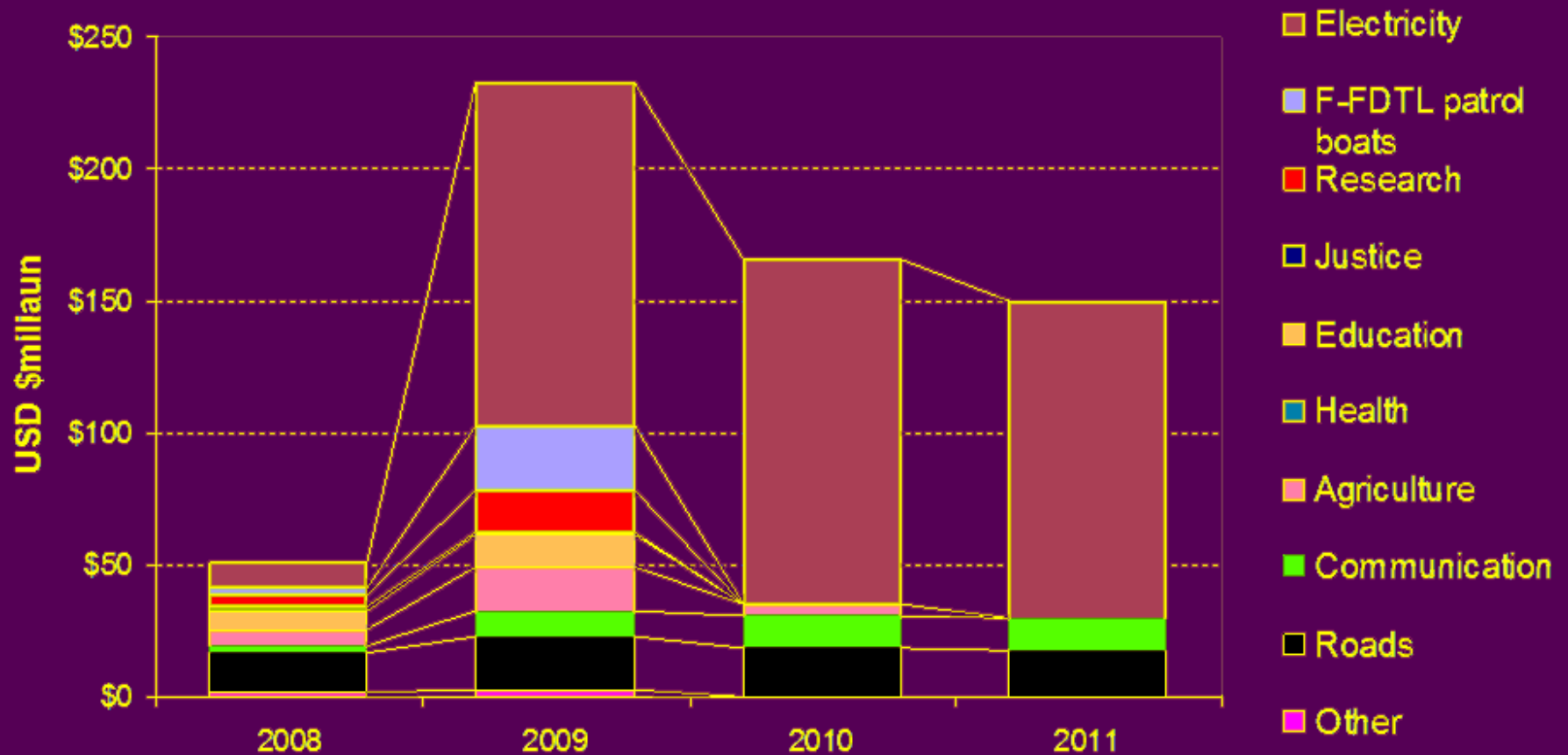


Future balance in Petroleum Fund



Multi-year projects

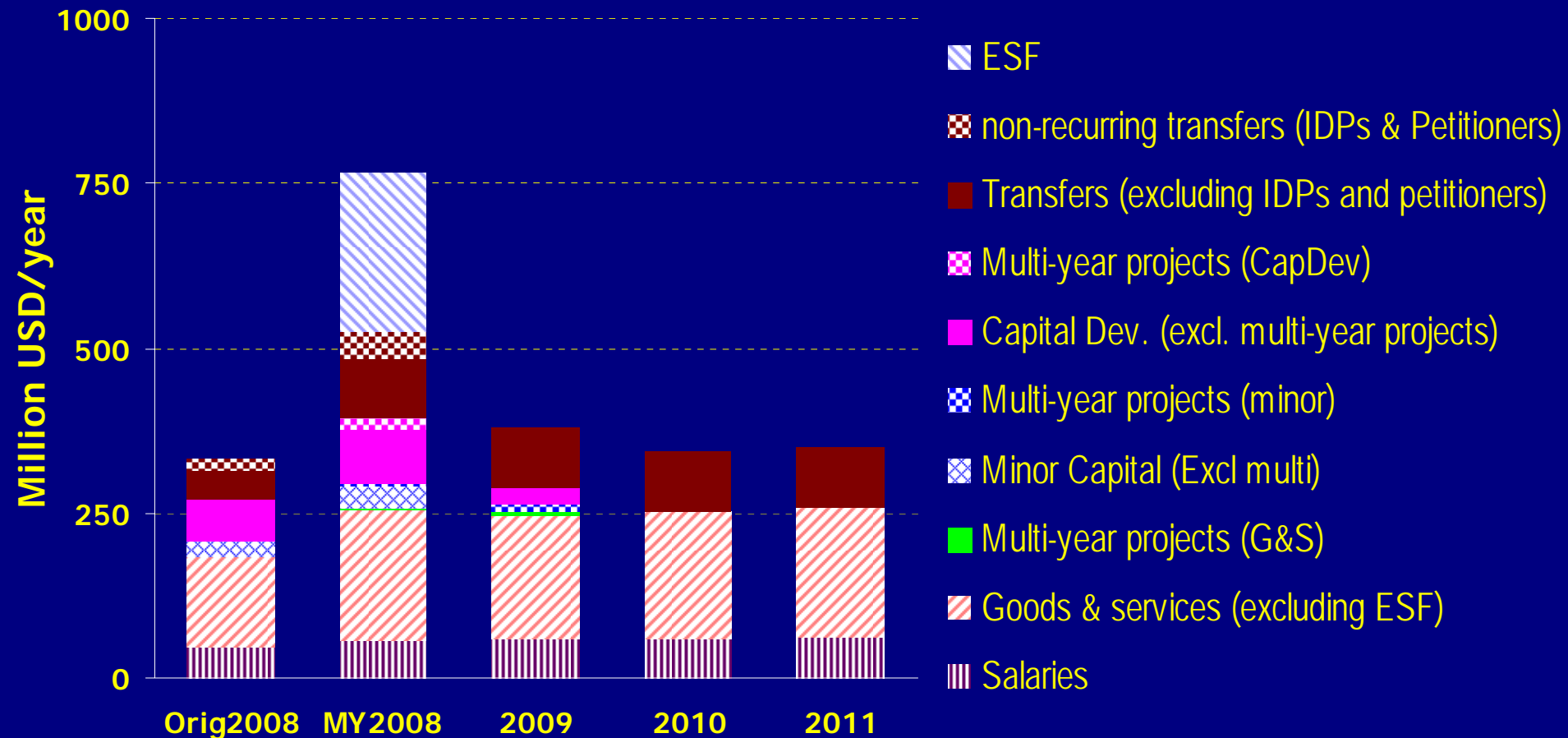
Total: \$548m in 2009-2011



Government projections

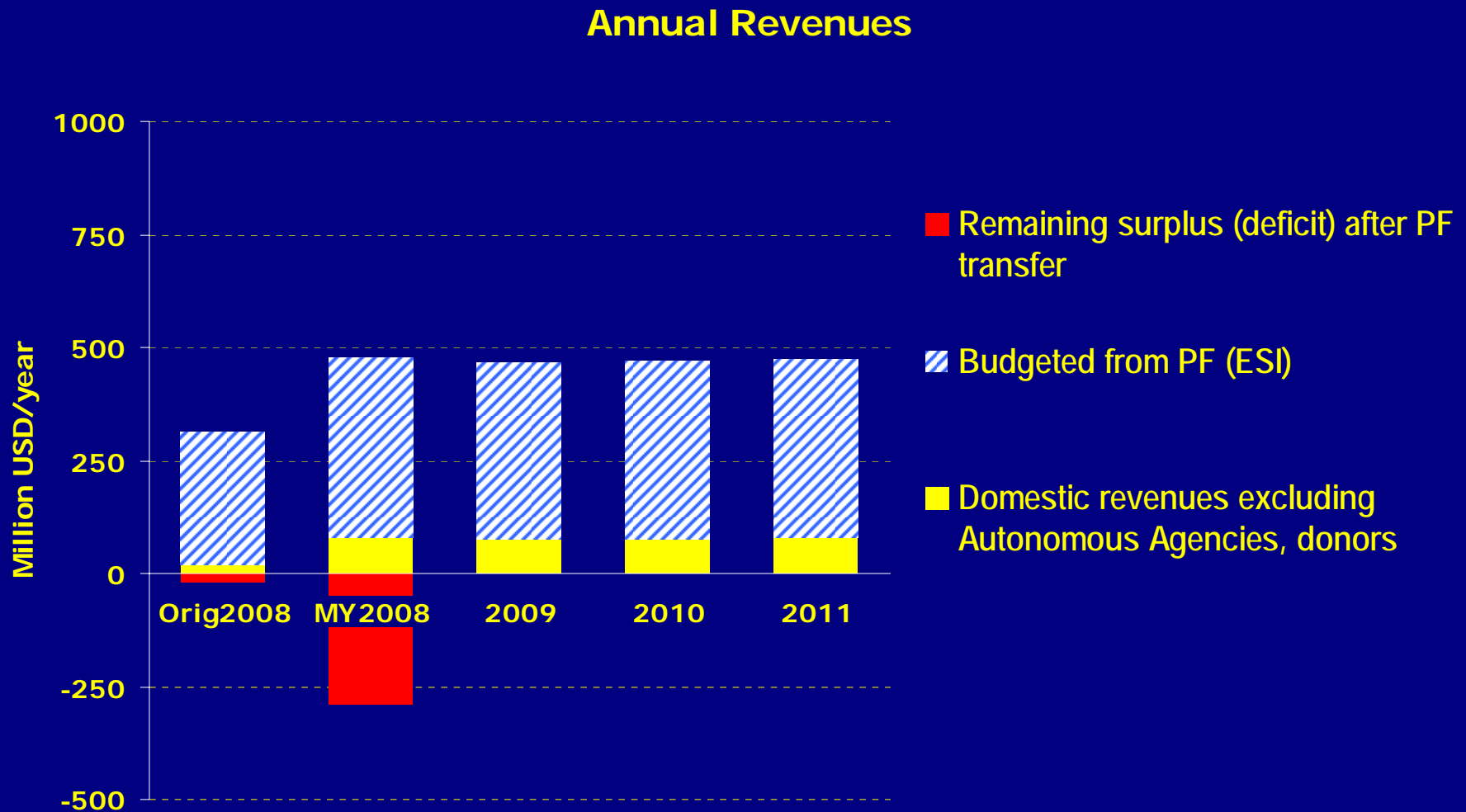
From the promulgated, rectified budget.

Annual Expenditures



Government projections

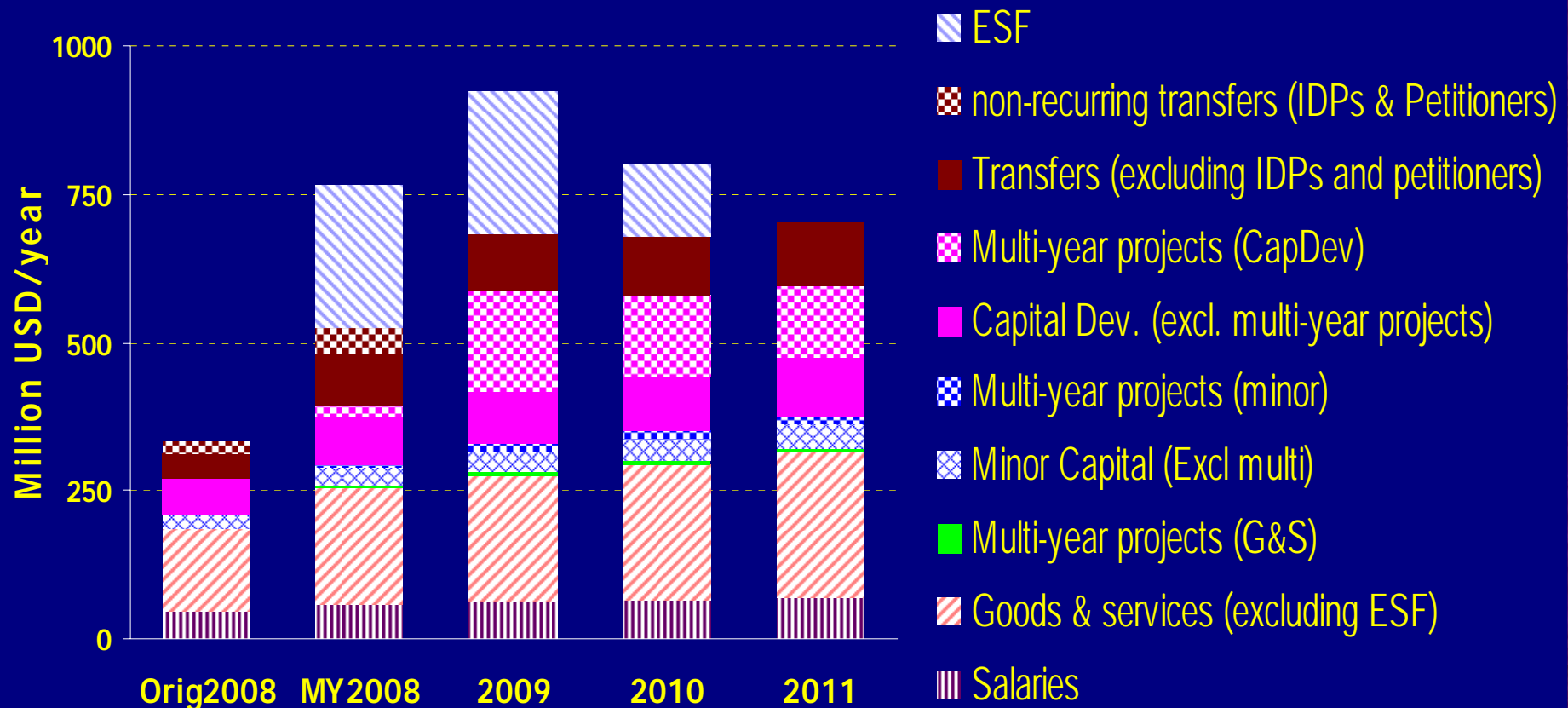
From the promulgated, rectified budget.



La'o Hamutuk projections

Continue current programs, phase out ESI

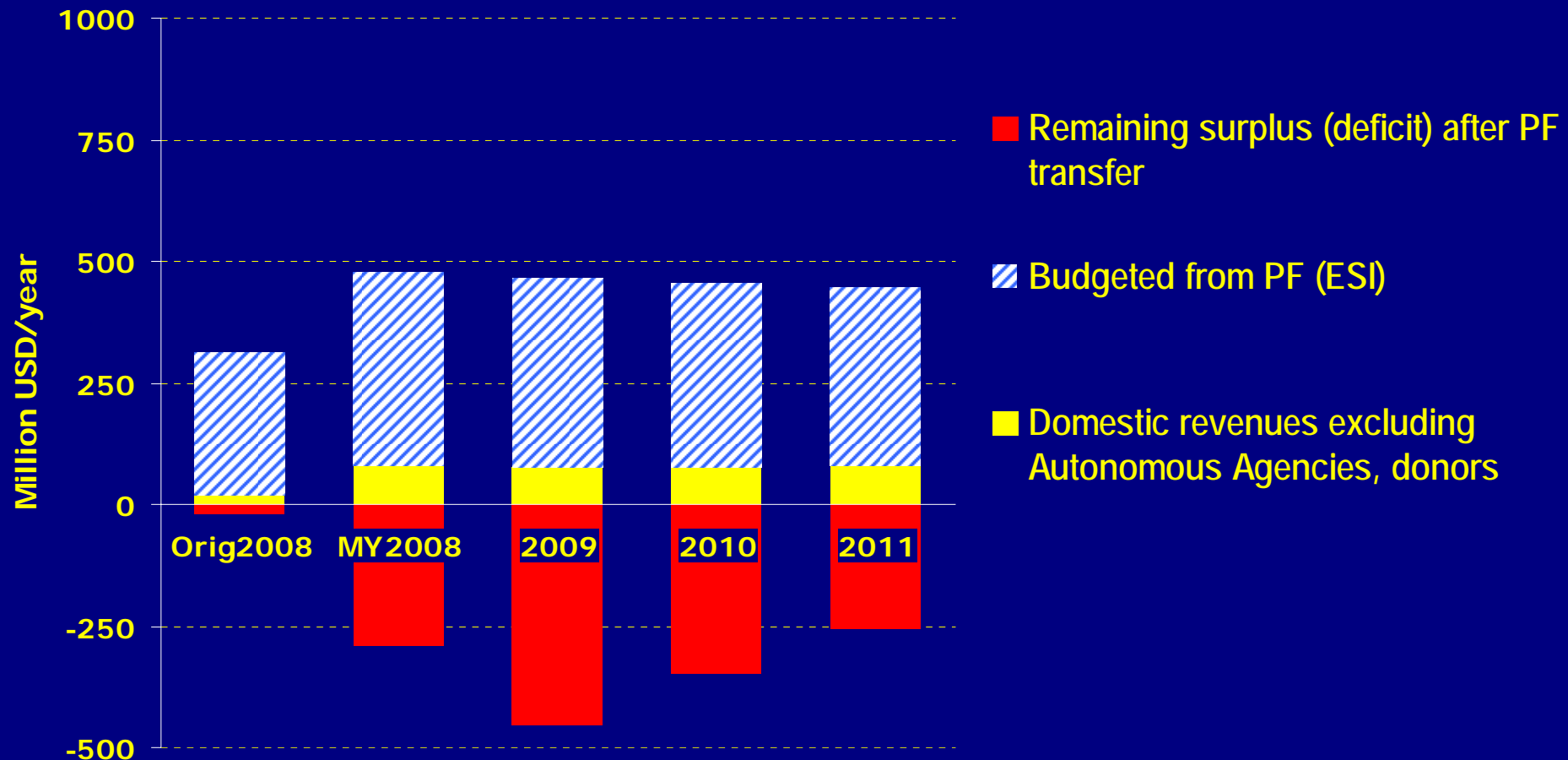
Annual Expenditures



La'o Hamutuk projections

A billion dollars more than ESI in 2009-2011

Annual Revenues



Obrigado barak

Perguntas no komentariu?